

# LYNCHBURG CITY COUNCIL

## Agenda Item Summary

MEETING DATE: **November 11, 2003**

AGENDA ITEM NO.: 15

CONSENT:

REGULAR: **X**

CLOSED SESSION:

(Confidential)

ACTION: **X**

INFORMATION:

**ITEM TITLE: Amend Current Amortization Period For Zero Percent Virginia Revolving Loan Fund (VRLF) Combined Sewer Overflow (CSO) Loans From Twenty To Thirty Years**

**RECOMMENDATION:** Adopt the attached resolution delegating authority to the City Manager or the Deputy City Manager to execute and deliver amendments to financing agreements between the City and the Virginia Resources Authority for selected (CSO) loans to modify existing and future VRLF CSO loans from a twenty year amortization to a thirty year amortization.

**SUMMARY:** The Department of Environmental Quality (DEQ) has offered to consider modifying the current twenty year amortization period for the City's CSO zero percent loans to a thirty year amortization. The following factors were presented to the City as a basis for this offer:

- The demand for Federal Grant Funds is increasing and the likelihood exists that future Federal funding will be less and possibly not available.
- Because of the State budget, matching State funds are not available.
- The City's Sewer Operating Fund has experienced financial stress over the past few years primarily because of the downturn in the economy, thus reducing the financial capacity to undertake additional borrowing to support CSO projects.
- Modifying the amortization schedule will provide additional borrowing capacity for CSO projects.

Although negotiations are still underway with DEQ, should successful negotiations be completed during mid November in time to modify the December 1, 2003 semi annual debt payment, an estimated additional \$500,000 of debt service savings will be realized during FY 2004 in the Sewer Operating Fund. Since the next Council meeting is November 25, 2003 there would be insufficient time to finalize all the legal documents to modify the December 1, 2003 debt payment. Adopting the resolution does not commit the City until satisfactory terms and conditions can be achieved. However, adopting the resolution provides the authority to amend existing financing agreements in a timely manner should agreement be reached with DEQ during mid November to meet the schedule for the December 1, 2003 debt payment. At the time this agenda item was prepared staff had not received an answer to the City Manager's letter asking for a ten-year transition to the 7hcf standard for meeting the 1.25% MHI requirement of the special order. Even if DEQ insists on a five-year transition period, staff believes that refinancing the debt is in the best interest of the Sewer Fund and its rate payers.

**PRIOR ACTION(S):** None

**FISCAL IMPACT:** The ability to issue additional long-term debt for CSO projects. Council-adopted financial targets for debt coverage and fund balance should be achieved.

**CONTACT(S):** Michael W. Hill 847-1595 ext.293; Tim Mitchell 847-1322 ext. 112; Greg Poff 847-1322 ext. 111

**ATTACHMENT(S):** Attached resolution

**REVIEWED BY:** lkp

**RESOLUTION OF THE COUNCIL OF THE CITY OF LYNCHBURG, VIRGINIA,  
DELEGATING AUTHORITY TO THE CITY MANAGER OR THE DEPUTY CITY  
MANAGER TO EXECUTE AND DELIVER AMENDMENTS TO FINANCING  
AGREEMENTS BY AND BETWEEN THE CITY AND THE VIRGINIA RESOURCES  
AUTHORITY AS ADMINISTRATOR OF THE VIRGINIA WATER FACILITIES  
REVOLVING FUND AND AUTHORIZING THE EXECUTION AND DELIVERY OF  
AMENDMENTS TO THE BONDS ISSUED UNDER SUCH FINANCING  
AGREEMENTS TO EXTEND THE TERM OF SUCH FINANCING AGREEMENTS  
AND THE MATURITY OF SUCH BONDS TO REDUCE THE SEMIANNUAL DEBT  
SERVICE PAYMENTS DUE AND PAYABLE UNDER SUCH FINANCING  
AGREEMENTS AND SUCH BONDS AND TO REDUCE THE RATE OF INTEREST  
PER ANNUM PAYABLE ON ANY BONDS ISSUED IN INTEREST-BEARING FORM**

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF LYNCHBURG,  
VIRGINIA:

SECTION 1. Findings and Determinations. The Council (the “Council”) of the City of Lynchburg, Virginia (the “City”), hereby finds and determines as follows:

(a) Pursuant to Chapter 26 of Title 15.2 of the Code of Virginia, 1950, the same being the Public Finance Act of 1991, and the Charter of the City, the City is authorized to issue general obligation bonds and revenue bonds to pay the cost of capital improvements to the sewer system of the City, a revenue-producing undertaking of the City, such capital improvements constituting wastewater treatment facilities within the meaning of Title 62.1, Chapter 22, Section 62.1-224, of the Code of Virginia, 1950.

(b) Under the provisions of Title 15.2, Chapter 26, Section 15.2-2612, of the Code of Virginia, 1950, bonds of the City may mature at such time or times not exceeding forty years from their date or dates and may bear interest payable at such time or times and at such rate or rates as determined by the Council as governing body of the City.

(c) The City has heretofore entered in one or more Financing Agreements (the “Financing Agreements”) by and between the Virginia Resources Authority (the “Authority”), as Administrator of the Virginia Water Facilities Revolving Fund (the Fund”), and the City.

(d) Under the provisions of the Financing Agreements, the City has borrowed moneys from the Fund to pay the cost of capital improvements to the sewer system of the City and has issued one or more series of its general obligation bonds or revenue bonds to the Authority as Administrator of the Fund to evidence such borrowings.

(e) Such bonds issued by the City to the Authority as Administrator of the Fund to evidence such borrowings under the Financing Agreements have been issued with a maturity of less than the maximum maturity permitted by Title 15.2, Chapter 26, Section 15.2-2612, of the Code of Virginia, 1950.

(f) In the judgment of the Council, it is desirable to delegate to the City Manager or the Deputy City Manager the authority to execute and deliver to the Authority as Administrator of the Fund an amendment to any such Financing Agreement and for the appropriate officials of the City to execute and deliver an amendment in the form of an allonge to the general obligation bond or the revenue bond of the City issued under any such Financing Agreement (i) to extend the term of such Financing Agreement and the maturity of such bond issued to evidence the borrowing by the City under such Financing Agreement to a maturity not exceeding the maximum maturity permitted by Section 15.2, Chapter 26, Section 15.2-2612, of the Code of Virginia, 1950, and correspondingly to reduce the semiannual payments of debt service due and payable under such Financing Agreement and such bond, and (ii) to reduce the rate of interest per annum payable on any bond of the City issued under any such Financing Agreement in interest-bearing form.

SECTION 2. Delegation of Authority to City Manager or Deputy City Manager to Execute and Deliver Amendments to Financing Agreements. There is hereby delegated to the City Manager or the Deputy City Manager the authority to execute and deliver to the Authority as Administrator of the Fund amendments to one or more of the Financing Agreements (i) to extend the term of any such Financing Agreement and the maturity of the bond issued to evidence the borrowing by the City under such Financing Agreement to a maturity not exceeding the maximum maturity permitted by Section 15.2, Chapter 26, Section 15.2-2612, of the Code of Virginia, 1950, and correspondingly to reduce the semiannual payments of debt service due and payable under such Financing Agreement and such bond, and (ii) to reduce the rate of interest per annum payable on any bond of the City issued under any such Financing Agreement in interest-bearing form. Any such amendment to a Financing Agreement shall be in such form as shall be approved by the City Manager or the Deputy City Manager executing the same, such approval to be conclusively evidenced by the execution and delivery of such amendment by the City Manager or the Deputy City Manager.

SECTION 3. Execution and Delivery of Amendments to Bonds Issued Under Financing Agreements. In connection with the execution and delivery to the Authority as Administrator of the Fund of amendments to one or more of the Financing Agreements (i) to extend the term of any such Financing Agreement and the maturity of the bond issued to evidence the borrowing by the City under such Financing Agreement to a maturity not exceeding the maximum maturity permitted by Section 15.2, Chapter 26, Section 15.2-2612, of the Code of Virginia, 1950, and correspondingly to reduce the semiannual payments of debt service payable under such Financing Agreement and such bond, and (ii) to reduce the rate of interest per annum payable on any bond of the City issued under any such Financing Agreement in interest-bearing form in accordance with the provisions of Section 2 of this resolution, the Council hereby authorizes the execution and delivery to the Authority of an amendment in the form of an allonge to the bond of the City issued under such Financing Agreement, such allonge to be executed, for and on behalf of the City, by the manual signature of the Mayor and to have the corporate seal of the City impressed thereon, attested by the manual signature of the Clerk of Council.

SECTION 4. Further Action. The Mayor, the City Manager, the Deputy City Manager, the Clerk of Council, the Director of Financial Services, the City Attorney and other

appropriate officers and employees of the City shall take all actions as necessary to carry out the provisions of this resolution.

SECTION 5. Effectiveness of Resolution. This resolution shall take effect upon its adoption.

Adopted:

Certified: \_\_\_\_\_  
Clerk of Council

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